

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE APPLICATION OF THE)	
FUEL ADJUSTMENT CLAUSE OF KENTUCKY)	CASE NO. 94-461
UTILITIES COMPANY FROM NOVEMBER 1, 1992)	
TO OCTOBER 31, 1994)	

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on December 14, 1994 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of Kentucky Utilities Company ("KU") for the 2 years ended October 31, 1994, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

As part of its review, the Commission ordered KU to submit certain information concerning its fuel procurement, its fuel usage, and the operation of its FAC. KU submitted this information on January 20, 1995. A public hearing was held in this case on March 2, 1995 at which Gerhard Haimberger, Wayne Lucas, Michael Robinson, and Ronald Willhite, KU officials, testified.

KU proposed that its base fuel cost of 12.97 mills per KWH remain unchanged. In Case No. 92-493,¹ the Commission selected August 1992 as the base period (test month)

¹ Case No. 92-493, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 1990 to October 31, 1992 (April 5, 1993 at 6; aff'd, Case No. 92-493 (January 2, 1997) at 21).

for the purpose of arriving at the base fuel cost [F(b)] and the KWH Sales [S(b)] components of its FAC.

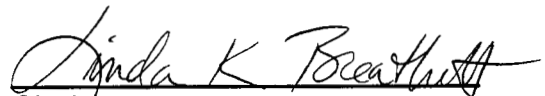
In establishing the appropriate level of base fuel cost to be included in KU's rates, the Commission must determine whether the proposed base period fuel cost per KWH is representative of the level of fuel cost currently being experienced by KU. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of August 1992 is a reasonably representative generation month for KU. Our analysis of KU's monthly fuel cost incurred for the six-month period ending October 31, 1994 ranges from a low of 12.78 mills per KWH in May and October to a high of 13.07 mills per KWH in September, with an average cost for the period of 12.94 mills per KWH. Based upon this review, the Commission finds no evidence of improper calculation or application of KU's FAC or improper fuel procurement practices. We further find that the present base period fuel cost of 12.97 mills per KWH should continue in effect.


IT IS THEREFORE ORDERED that:

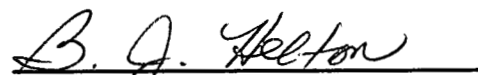
1. The charges and credits applied by KU through the FAC for the period November 1, 1992 through October 31, 1994 are approved.
2. KU's proposed base fuel cost of 12.97 mills per KWH is approved.

Done at Frankfort, Kentucky, this 4th day of March, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director